

Agency: Commerce, Community and Economic Development**Grants to Named Recipients (AS 37.05.316)****Grant Recipient: Southeast Conference****Federal Tax ID: 92-0089028****Project Title:**

Southeast Conference - Timber Revitalization in Southeast Alaska

State Funding Requested: \$ 125,000**House District: Southeast Region (1-5)**

One-Time Need

Brief Project Description:

Funding to assist the Southeast Conference with development of new opportunities in the timber industry.

Funding Plan:**Total Cost of Project: \$125,000**Funding Secured

Amount FY

Other Pending Requests

Amount FY

Anticipated Future Need

Amount FY

There is no other funding needed

Detailed Project Description and Justification:

Funding is \$125,000 to assist the Southeast Conference with development of new opportunities in the timber industry. The Southeast Conference, along with several partner groups, is working to help economically depressed communities tap into new markets and preserve an industry vital to Southeast Alaska.

Until several years ago the timber industry was a big part of Southeast Alaska's infrastructure. This industry once provided 4,000 jobs to the region and currently provides approximately 450 jobs. These lost jobs represent over \$1 billion in lost payroll within Southeast in the last ten years. Uncertainty with the prospects for continuing local revenue limits the ability for small communities to move forward with economic development projects. Southeast Alaska needs a healthy timber industry to support its economy. The Tongass National Forest can and should support a sustainable workforce and a sustainable industry on a larger scale than exists currently.

Working with the U.S. Forest Service, the Southeast Conference will focus on timber impacted communities and try to provide economic timber sales in second growth timber on a regular basis and explore ways for the State of Alaska to acquire additional acres of Timber Harvest Reserves. They will advocate for a long term viable timber supply and evaluate the impacts of the Tongass Land Management Plan (TLMP) Amendment to determine if an integrated industry can be reestablished under the Amendment while considering the best course of action once the evaluation is complete.

Project Timeline:

FY09: All funds to be expended by June 30, 2009.

Entity Responsible for the Ongoing Operation and Maintenance of this Project:

Southeast Conference

Grant Recipient Contact Information:

Contact Name: Shelly Wright

Phone Number: 523-2327

Address: PO Box 21989

Email: shellyw@seconference.org

Has this project been through a public review process at the local level and is it a community priority? ☒ Yes ☐ No

Timber Industry Revitalization Program

A Key Element in the
The Southeast Conference Program to Revive the Southeast Alaska Economy

The Program in FY 2009

Project Needs Description:

The economy of Southeast Alaska has been in decline since 1994. Real per capita income fell 4% overall in Southeast and 8% outside of Juneau. The primary reason for this is the decline in the timber industry. This industry once provided 4,000 direct jobs to the region and currently provides approximately 450 jobs. These lost jobs represent over \$1 billion in lost payroll in Southeast Alaska in the last 10 years. Uncertainty with the prospects for continuing local revenue limits the ability of small communities to move forward with economic development projects. Southeast Alaska needs a healthy timber industry to support its economy. The Tongass can and should support a sustainable workforce and a sustainable industry on a larger scale than exists currently.

Southeast Conference (SEC) Role:

The conference will take a leadership role in pursuing revitalization of the timber industry. A Timber Committee has been established as a permanent component of the organization. Southeast Conference will maintain staff and/or a contractor to work with the Forest Service, southeast communities and the timber industry to pursue reinvigoration of the timber economy. Southeast Conference will continue the process of economic revitalization for Southeast Alaska with a focus on timber and timber impacted communities. Southeast Conference will advocate for long term viable timber supply, and provide expertise to participate in implementation or appeal of the Tongass Land Management Plan.

Summary Goals:

1. Achieve 10-year timber sales for each significant manufacturing facility including new facilities designed to make use of the low-value wood such as Medium Density Fiberboard (MDF) plants.
2. Ensure that timber sales are prepared and offered in a manner that allows a realistic opportunity for profit.
3. Overcome obstacles to the preparation of economic timber sales and ramp up the timber sale program with economically viable timber sales.
4. Prepare economic timber sales in second growth timber.
5. Advocate and coordinate to create a substantial state-owned and managed forest in the southeast region.

SEC Detailed Timber Program Elements:

1. Take actions to restore an integrated industry that will fully utilize the wood supply. Numerous studies have determined that an integrated industry needs at least 360mmbf of economic timber annually. The Record of Decision for the Plan Amendment must be completed by fall of 2007 and select an alternative that supports restoration of an integrated industry. The industry must operate at a minimum level of about 360mmbf in order to have the necessary economy of scale and sufficient volume to support a mix of manufacturing facilities that can process the full range of old-growth timber and second growth timber that grows on the Tongass.
2. In order to have a pipe line of timber there should be three years of timber under contract. Today, 2007, the mills have less than a year under contract. The initial task is for the Forest Service to begin ramping up timber under contract to achieve a three year supply of economic timber under contract so the existing industry and potential investors can see an ample supply to make investments. A follow up goal is to work with the Forest Service to adjust their annual timber sale offerings to insure there is sufficient timber for both current operations and expansion to an integrated industry by building up a three-year pipeline of timber under contract.
3. Work with the State Tongass Land Management Plan team to provide input that will direct the Forest Service decision makers towards the goals set in the Southeast Conference Tongass Land Management Plan comments. These goals include removal of the obstacles that prevent the Forest Service from preparing economic timber sales. The most egregious of these obstacles are:
 - a. The 1997 deer model
 - b. The Habitat Conservation Area Strategy
 - c. The marten and goshawk standard and guidelines
 - d. The wind firm stream buffer guidelines.
4. Work to fix the current Forest Service contract provisions. The current provisions are not fair and equitable. The new contracts must be bilateral and assure performance by the purchaser. The Forest Service must assure that the price, volume, and logging conditions of the sale will not be changed without the consent of the purchaser. Any changes imposed, without consent, must be compensated by the Forest Service. There has been one rewrite of the contract that both made improvements and added some troublesome items. A third party review has resulted in concurrence with the industry complaints and we are waiting for the Forest Service to give us the final version of the contract. We are hopeful that our concerns have been addressed in this next rewrite
5. Develop a community out reach program that educates and advocates issues important for the revitalization of the wood products industry. This is being addressed with the brochure and editorial responses. A new brochure should be developed for FY08. The direction of the new brochure should be chosen after the Tongass Land Management Plan Amendment Record of Decision comes out.
6. Monitor and support legislative issues affecting the wood products industry.
7. Achieve 10-year timber sales for each significant manufacturing facility. Volume should be sufficient to meet one half of the volume requirements of each mill. Given the lack of economic, National Environmental Policy Act (NEPA) -cleared timber, the goal

is to make some volume available immediately and to provide the volume assurance necessary to secure financing. That volume would need to be supplemented with additional timber. Any timber offered must be of sufficient value to cover all cost from stump to mill (Delivered Log Cost) and provide a margin for profit and risk. The Forest Service needs support to overcome objections to providing a guarantee of a viable timber supply (10-year timber sales) to the mills and potential processors in Southeast Alaska. This will require outreach at the state and local level and federal support to insure the Forest Service has the tools and support needed to accomplish this goal.

8. Work with the US Forest Service and State of Alaska to more aggressively implement the Reciprocal Agreement that was recently passed into law. This was to exchange road easements to the state for log transfer facilities to the Forest Service. Development of the road rights of way will provide road building job opportunities, will begin to provide essential road access throughout Southeast and will offer substantial timber volume to industry as the rights of way were cleared.
9. Assist USFS to prepare economic timber sales in second growth timber. Experiments should be immediately undertaken to commercially thin second growth stand in the beach fringe. Thinning will have substantial wildlife habitat benefits. The experiments would be to determine economical ways to have stump-to-mill costs of less than \$250/mbf.
10. State Timber Harvest Reserve: 1.6 million acres of the Tongass have been identified that can be proposed for state selection. These acres will provide the base timber supply for the SE Alaska timber industry. Given the uncertainty of the ability of USFS to implement a favorable ROD, and the strong possibility that the plan will not be satisfactory, SEC should reengage Gary Morrison to continue work on TLMP and help revive the SEC efforts to establish State Timber Harvest Reserves. There is a sheet attached describing the proposed actions and history of this project.
11. Ketchikan Veneer Plant: The plant has been purchased by a new operator. SEC will work with the purchaser to secure a wood supply.
12. Hog Fuel Roads: DEC is working with the Corps to provide for the use of hog fuel for the construction of roads and facilities. There have been many valuable projects constructed using hog fuel. The Wrangell Golf Course and roads on Wrangell Island are examples. The Corps has taken a position against this practice over the objection of the State. SEC supports continued use of this method and is helping to push the matter at DEC. Still in progress but bogged down in DEC. There are projects waiting. They include a proposed hog fuel fill at Klawock airport and more hog fuel roads in Wrangell.
13. Sustained Forest Initiative (SFI): This has been set up by AFA to certify Alaska forest products. SEC will help in statewide outreach and will assist the SFI.
14. TLMP Amendment and Revision: The Record of decision is due to be published late August or early September. SEC must conduct an immediate review to determine the extent to which the Forest Service adopted the input from SEC. This review will determine where Southeast Conference will direct efforts towards implementation of the ROD or appeal.

15. Tongass appeals and law suits: There are law suits against timber sales and EISs that SEC could submit declarations in support of the Forest Service. SEC intervened in the Kensington lawsuit with an amicus brief. A similar level of intervention in USFS is under discussion. A new appeal and lawsuit may be needed for the 2007 TLMP Amendment.
16. On-going issues that are being pursued by AFA at this time, that SEC should also be aware of:

ACMP Consistency Reviews, region-wide on any timber-related proposal.

Resident Fish Culvert installation requirements

Since resident fish don't migrate, the culverts on resident fish streams don't need to provide the same degree of fish passage as culverts on anadromous (salmon) streams.

DNR Area Plan review

Encourage the State to look at SE Alaska to see if more state lands could be available for timber development. Review area plans for consistency with log transfer and storage uses.

DEC Review of Double Diffusion Wood Treating

Revision of EFH regulations

National Pollution Discharge Elimination System

The state is working to take primary control of this process. Funding for this program did not pass in 2007. SEC needs to encourage the state to renew effort to fund. A bill is held in committee over the interim and may receive attention during the interim.

Category	Revenue	Expenditure
FY08 Grant	\$100,000	
Timber Coordinator		\$36,000
Associate Coordinator		24,000
Contractors		17,900
Coordinators' and SEC Travel		10,000
Administration		7,400
Dues & Memberships		4,700
	\$100,000	\$100,000

Brief 6-1-07 DRAFT

Additional State Land Selections from the Tongass National Forest

- Upon achieving statehood, Alaska was allowed to select 102,950,000 acres of vacant, un-appropriated and un-reserved Federal lands from within Alaska.
- Section 6(a) and (b) of the Statehood Act laid out the conditions for selections.
- Section 6(a) limited the State's selection from the Tongass and Chugach NFs to 400,000 acres of vacant and un-appropriated National Forest lands. The purposes of the selections were limited to community expansion and recreation.
- Section 6(b) allowed the State to select the remaining 102,550,000 acres of its entitlement from all other vacant, un-appropriated and un-reserved Federal land throughout Alaska, with no conditions for selection.
- The reason the state was limited to 400,000 acres from the two National Forests was because of the long term timber sale contracts on the Tongass. The concern was, should the state select prime timber lands from the Tongass, the Federal Government may not be able to meet the 50-year terms of the timber contracts.
- Today, none of the long term timber sale contracts exist, thus the rationale for limiting the state's land selections from the Tongass no longer valid.
- The state is currently working with the Federal Bureau of Land Management to complete its remaining statehood land selection entitlement of approximately 10,000,000 acres by the end of 2008.
- **If the Alaska Statehood Act were amended by Congress to make the land selection conditions of Section 6(a) the same as Section 6(b), the state would be free to select additional lands from the Tongass and Chugach National Forests and could use them for any state purposes.**
- The state could select 1.6 million acres of productive timber lands (detailed maps have been prepared) from the Tongass NF, exclusive of congressionally designated conservation areas. The selection would allow for the establishment of 12 State Timber Management Areas. The 12 areas would be managed under the State Forest Practices Act. The lands would allow for an initial production of 245 million board feet annually (\$15 million/yr. state revenue, after management costs), with an ultimate sustained production of as much as 450 million board feet annually (over \$50million/yr. state revenue, after management costs), when current second growth forests reach commercial size. This would be an adequate timber supply to restore an integrated timber industry in Southeast Alaska.

SOUTHEAST CONFERENCE



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November 25, 2007

The Honorable Peggy Wilson
P.O. Box 109
Wrangell AK
99929

Dear Representative Wilson,

This is a request for continuation of funding for the Southeast Conference (SEC) effort to restore the Timber Industry. We are in the implementation phase of the TLMP Amendment. At this point we are not sure how the Forest Service will implement the new plan. For the past 3 years the State has funded the SEC effort to convince the Forest Service to provide a plan that will result in restoring a timber industry in Southeast Alaska that is once again a significant contributor to the economy of the timber dependent communities.

From the start of the industry in SE Alaska through the 1990's the industry carried the load in working with the Forest Service, interest groups and agencies to provide the input on what it takes to provide the timber supply necessary to support the industry. Starting in the 2000's the industry began the downward spiral of mill closures and infrastructure depletion, driven by the lack of an economic timber supply from the Tongass, to the point that today the fight for the survival and revitalization must be carried by the State and communities. The remaining industry does not have the resources to continue the fight at the level that is necessary to overcome the obstacles that are in the path of restoration of the industry.

To that end Southeast Conference with the funding support from the State has been able to provide the input and outreach supporting revitalization of the industry. This request for continued funding is for \$125,000 for the 2009-2010 effort. The details of how these funds would be used are displayed in the attachment to this letter.

Sincerely,

A handwritten signature in black ink that reads "George Woodbury". The signature is written in a cursive, flowing style.

George Woodbury, Timber Coordinator